

# ILO RECOMMENDATION NO. 193 ON THE PROMOTION OF COOPERATIVES\*

By Mark Levin\*\*

*The mandate of the International Labour Organization (ILO), which is an integral part of the UN, is the promotion of social justice and workers' rights. Ever since its creation shortly after WWI, the ILO has recognized the role of cooperatives and has had a specific department for providing assistance to member states on cooperative matters. Supporting cooperatives and the values upon which they are based contributes to fulfilling its mandate. A new ILO recommendation for member states (recommendation 193, adopted in June 2002) addresses the evolution of the context in which cooperatives function. It replaces and expands the scope of recommendation 127, which was centered on developing countries. Incorporating the International Cooperative Alliance's 1995 definition of cooperatives, the new recommendation emphasizes the autonomy of cooperatives while stressing the crucial role of governments in establishing the appropriate political, legal and institutional framework. The social partners and cooperative organizations are also seen as vital to cooperative development. Through this recommendation and the steps taken to disseminate it, the ILO hopes to influence changes in national laws for providing better support to cooperatives.*

\* The following article was written in English by the author. The French version had a slightly different title ("L'action de l'OIT pour la promotion des coopératives," *Recma*, no. 289, 2003). An update has also been added at the end.  
\*\*ILO Cooperative Branch.

The International Labour Organization, a specialized agency of the United Nations, was established in 1919 to promote social justice and internationally recognized human and labour rights. Recognizing the importance of cooperatives to millions of people around the world, the ILO has been actively engaged in supporting cooperative development since the establishment of a cooperative technical service in 1920, deriving its mandate from the ILO's Constitution, which provides for consultations with recognized non-governmental international organizations including those of agriculturists and cooperators. It is interesting to note that the first ILO Director-General, Mr. Albert Thomas, was a member of the Executive Committee of the International Co-operative Alliance, which as the global voice of the cooperative movement maintains a consultative status with the ILO. The ILO, then and now, has viewed cooperatives as important tools for improving the living and working conditions of both women and men. The ILO sees cooperatives as businesses that are based on a broad set of democratic and egalitarian values. Since cooperatives are owned by the users of the services they provide, they make decisions that balance the need for profitability with the welfare of their members and the community

## **The global significance of cooperatives**

Cooperatives are playing an increasingly important role worldwide in facilitating job creation, economic growth and social development. Ranging from small-scale to multi-million dollar businesses across the globe, cooperatives are estimated to employ more than 100 million women and men, and have more than 800 million individual members. Cooperatives mainly operate in agricultural marketing and supply, finance, wholesale and retailing, health care, housing and insurance. However, they are now venturing into new fields of activity, such as information and communication technology, tourism and cultural industries.

which they serve. As cooperatives foster economies of scope and scale, they increase the bargaining power of their members providing them, among others benefits, higher income and social protection. Hence, cooperatives accord members opportunity, protection and empowerment-essential elements in uplifting them from degradation and poverty. The ILO has thus always supported the development of cooperatives as important vehicles in meeting its goals.

Through the Cooperative Branch the ILO provides a variety of services to ILO constituents, by means of policy advice to member States, technical cooperation, documentation and information to increase public awareness about cooperatives, and the promotion of cooperative methods and approaches to resolve a variety of problems and issues. Technical cooperation activities cover a wide range of themes, including cooperative reform and legislation, human resource development and networking, job creation, poverty alleviation, and local economic development. The ILO has the largest technical cooperation programme on cooperatives within the UN system.

With the ILO's recent consolidation of its focus on Decent Work or the "promotion of opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity", the Cooperative Branch has placed greater emphasis on the employment creation activities of cooperatives and their capacity to provide social protection, especially to the marginalized sectors of society. The organizational flexibility of cooperatives to reach out to the informal economy provides a good opportunity to improve the conditions of work in this otherwise unprotected sector. It is noteworthy that the very values and principles on which cooperatives are based-self-help, self-responsibility, democracy, equality, equity, solidarity, social responsibility and caring for others-find congruence with the notion of Decent Work.

## **ILO Recommendation on cooperatives**

The ILO promotes universally recognized human and labour rights primarily through its standard-setting functions. Its highest decision-making

body, the International Labour Conference (ILC) debates and adopts standards on labour rights, employment, human resource development and other ILO concerns including, for example, small and medium enterprise and cooperative development. A labour standard can be in the form of a Convention or a Recommendation. An ILO Convention, once ratified by a member State, becomes binding for that country and compliance becomes mandatory. A Recommendation, as the name implies, serves as a policy guide for member States and compliance is not an obligation. In practice, however, many member States adopt the provisions of ILO Recommendations and frequently incorporate important provisions in their national laws.

Cooperatives are directly or indirectly referred to in various ILO Conventions and Recommendations but only one Recommendation focuses solely on cooperatives. This is the new Recommendation no. 193 on the Promotion of Cooperatives adopted at the 90<sup>th</sup> Session of the ILC in June 2002. This Recommendation replaces the Cooperatives (Developing Countries) Recommendation of 1966 (no. 127).

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## **Reasons for adopting a new Recommendation and some remarks on the process**

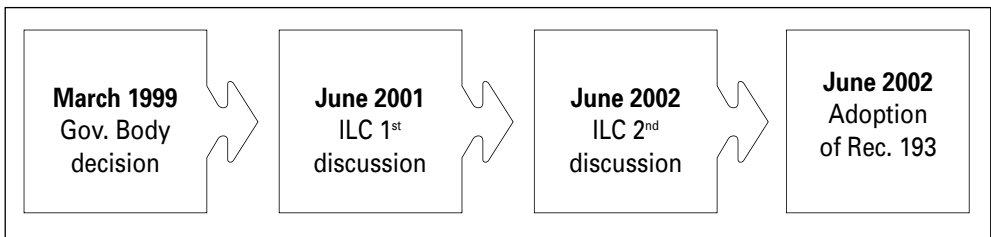
Since the time of the adoption of Recommendation no. 127, political, economic and social changes have affected the situation of cooperatives throughout the world. As a result, in March 1999, the ILO's Governing Body decided that a new universal standard could help enable cooperatives to develop more fully their self-help potential, placing them in a better position to meet current socio-economic problems such as unemployment and social exclusion, and help them compete in a global market place. At about the same time, the United Nations began debating new guidelines on cooperatives, which were adopted by the General Assembly on 19 December 2001. The ILO Governing Body's decision to revise Recommendation no. 127 was based on the following main reasons:

- The focus of Recommendation no. 127 was limited to developing countries while new roles for cooperatives in both the industrialized and the former communist countries had emerged in the last thirty years.
- Recommendation no. 127 mirrored the development concerns of the 1960's where cooperatives were seen primarily as tools in the hands of the government. The Recommendation thus overemphasized the role of the government in cooperative development and underestimated the autonomous character of cooperatives. In accordance with the reformulated universally recognized cooperative principles, the Governing Body considered that cooperatives should be regarded primarily as a means for their members to achieve their common economic and social goals. Their autonomy as a form of a private enterprise guided by ethics and principles should be upheld.

- In many countries, political, economic and social changes have put pressure on government to limit its involvement in economic and social affairs. The State’s role is increasingly limited to that of providing the political, legal and administrative framework for the development of private organizations including cooperatives. Recommendation no. 127 had yet to take account of these developments.

- In industrialized countries, new forms of cooperatives and new cooperative enterprise structures had emerged to take advantage of the challenges and opportunities opened up by globalization and technological changes. Heightened competition from other forms of business enterprises had also necessitated these changes. These facts required recognition in a new ILO standard on cooperatives.

In common with most other ILO standards, Recommendation no. 193 was adopted as a result of two major discussions at the ILC. The first discussion took place in June 2001 at the 89<sup>th</sup> Session of the ILC which deliberated the “Proposed Conclusions” or the provisions proposed to be incorporated in the new instrument. These “Proposed Conclusions” were formulated on the basis of responses to a questionnaire circulated to ILO member States in January 2000. The 89<sup>th</sup> ILC adopted “Conclusions” which in turn were utilized by the International Labour Office as the basis for a proposed draft of the new Recommendation. The proposed text was circulated to member States in August 2001 and their responses were collated and incorporated in a new text, which was the subject of a second and final deliberation at the 90<sup>th</sup> ILC in June 2002. This discussion paved the way for the adoption of a new ILO Recommendation on the Promotion of Cooperatives-Recommendation no. 193.



### The main features of Recommendation no. 193

The main features of Recommendation no. 193 are as follows and will be discussed in detail below:

- recognition of importance of cooperatives in economic and social development;
- reaffirmation of the cooperative identity;
- equal treatment for cooperatives;
- definition of the government’s role in creating a supportive policy and legal framework, and in facilitating access to support services and finance;

- an active promotional role for employers', workers' and cooperative organizations;
- encouragement of international cooperation.

### **The importance of cooperatives in economic and social development**

In a number of ways the text confirms the important role that cooperatives play in global and national economic and social development. Cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. With regard to economic and social development, cooperatives promote the “fullest participation of all people” (Preamble) and facilitate a more equitable distribution of the benefits of globalization. They contribute to sustainable human development and have an important role to play in combating social exclusion. The text further states that “the promotion of cooperatives... should be considered as one of the pillars of national and international economic and social development” (paragraph 7(1)).

### **Reaffirmation of the cooperative identity**

In order to fulfil these roles cooperatives should be true to their identity, their principles and their values. The definition of a cooperative that appears in the Statement on the Cooperative Identity, adopted by the General Assembly of the International Cooperative Alliance in 1995, is incorporated in the text of the Recommendation, ensuring that there is only one, universally acceptable definition of a cooperative. The cooperative values, ethics and principles are cited and the full text of the principles appears as an Annex to the Recommendation. National policy and legal frameworks are to be guided by the cooperative values and principles, including most significantly, to protect and foster the autonomy of cooperatives.

### **Equal treatment**

The International Labour Conference discussions in 2001 and 2002 generated a great deal of debate regarding the treatment of cooperatives vis-à-vis other types of enterprises and social organization. On the one hand, it was seen as important for cooperatives to “stand on their own two feet” and function as independent and autonomous enterprises in a competitive market situation, but on the other hand to be supported if they meet specific social and public policy outcomes. All cooperatives have social purposes but it was thought that cooperatives that have specifically social aims, particularly in favour of disadvantaged groups in society, could benefit from special measures. In addition, it was considered very important to stress the need to avoid discrimination against cooperatives because of their special character. Thus, the text states that “Cooperatives should be treated in accordance with national law and practice and on terms no less favourable than those accorded to other forms of enterprise and social organization” (paragraph 7(2)).

## **Extract from the Statement on the Cooperative Identity, adopted by the General Assembly of the International Co-operative Alliance in 1995**

The cooperative principles are guidelines by which cooperatives put their values into practice.

### **Voluntary and open membership**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

### **Democratic member control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

### **Member economic participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

### **Autonomy and independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

### **Education, training and information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public—particularly young people and opinion leaders—about the nature and benefits of cooperation.

### **Cooperation among cooperatives**

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

### **Concern for community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.

### **The role of government in cooperative promotion**

The Recommendation places heavy emphasis on the role of government in establishing an appropriate policy framework within which cooperatives can survive and grow. As has been mentioned before, government actions are to be guided by cooperative values and principles. Specifically, they are expected to provide a supportive policy, legal and institutional framework, provide support measures when social and policy outcomes are met (i.e. support to cooperatives based on their activities and not because of their nature), provide oversight on terms equivalent to other forms of enterprise and social organization, adopt measures to improve access to finance for disadvantaged groups, and topically, to promote the formalization of the informal economy. The role of cooperatives in transforming marginal survival activities in the informal economy into legally protected work is recognized.

It is also recognized that government can contribute significantly to improving cooperative performance by facilitating access of cooperatives to support services. In particular, support to cooperative human resource development is considered to be key. Cooperative success can often be attributed to the success of comprehensive HRD programmes for all stakeholders in cooperatives-members, workers and managers-and this is reflected in a number of places in the text of the new Recommendation. Measures should be adopted to develop human resources and knowledge of the values, advantages and benefits of the cooperative movement, and national policies should develop technical and vocational skills, entrepreneurial and managerial abilities, knowledge of business potential and general economic and social policy skills of cooperative members, workers and managers and improve their access to information and communication technologies. The promotion of education and training in cooperative principles and practices at all appropriate levels of the national education and training systems, and indeed throughout society, is further encouraged.

The text also makes reference to government's role in promoting safety and health, productivity and competitiveness in cooperatives, facilitating access to credit, markets and information, promoting best practice in corporate governance, strengthening gender equality, promoting workers' rights and facilitating vertical and horizontal linkages among cooperatives. On the issue of workers' rights there is a topical reference to the need to combat "pseudo cooperatives" through the application of labour legislation, and a call to promote best labour practices in cooperatives. The Preamble makes special reference to the ILO Declaration on Fundamental Principles and Rights at Work (1998) and a number of international labour standards.

Governments are urged to consult cooperative, employers' and workers' organizations in the formulation and revision of legislation, policies and regulations applicable to cooperatives. Governments are also encouraged to facilitate the promotion of the cooperative movement.

## **Obligations of Members in respect of a Recommendation**

- (a) the Recommendation will be communicated to all Members for their consideration with a view to effect being given to it by national legislation or otherwise;
- (b) each of the Members undertakes that it will, within a period of one year at most from the closing of the session of the Conference or if it is impossible owing to exceptional circumstances to do so within the period of one year, then at the earliest practicable moment and in no case later than 18 months after the closing of the Conference, bring the Recommendation before the authority or authorities within whose competence the matter lies for the enactment of legislation or other action;
- (c) the Members shall inform the Director-General of the International Labour Office of the measures taken in accordance with this article to bring the Recommendation before the said competent authority or authorities with particulars of the authority or authorities regarded as competent, and of the action taken by them;
- (d) apart from bringing the Recommendation before the said competent authority or authorities, no further obligation shall rest upon the Members, except that they shall report to the Director-General of the International Labour Office, at appropriate intervals as requested by the Governing Body, the position of the law and practice in their country in regard to the matters dealt with in the Recommendation, showing the extent to which effect has been given or is proposed to be given, to the provisions of the Recommendation and such modifications of these provisions as it has been found or may be found necessary to make in adopting or applying them.

*(ILO Constitution, Article 19.)*

### **The role of employers', workers' and cooperative organizations**

An active role in cooperative promotion is envisaged for employers', workers' and cooperative organizations, both individually and collectively. Employers' organizations are asked to consider extending membership and the provision of services to cooperatives wishing to join them. Workers' organizations are encouraged to assist cooperative employees to join trade unions, assist trade union members to establish cooperatives, participate in fora having an impact on cooperatives, participate in setting up cooperatives to create or maintain employment, promote productivity, equality of opportunity and rights of worker-members and undertake education and training. The reference to the special status of worker-members is of particular significance. Cooperative organizations are encouraged to promote an active relationship with the social partners to create a favourable climate for cooperative development, provide technical support services and commercial and financial services, invest in human resource development and represent cooperatives at the international level. In sum, the social partners and cooperative organizations are seen as critical agents in the task of cooperative promotion.



### **International cooperation**

The text calls for greater international cooperation in information exchange on best practices particularly regarding employment creation and income generation, legislation, training methods and techniques, technology and product standards, and strengthening of linkages between national and international institutions involved in cooperative development. It also suggests exploring the possibilities of developing common regional guidelines and legislation on cooperatives.

### **Towards the future**

The new ILO Recommendation no. 193 on the Promotion of Cooperatives will, we hope, be of great service to the cooperative movement and to the ILO's global tripartite constituency. We in the ILO's Cooperative Branch look forward to working closely with our partners to promote the new instrument. Already a number of ILO member States are considering revising their laws and national policies to take account of the provisions of Recommendation no. 193. The Cooperative Branch is now in the process of planning a follow-up campaign to promote the new Recommendation, including workshops and seminars on the national and regional levels, easy-to-read publications and tailor-made activities for ILO constituents. It is hoped that funds will soon be identified for a new technical cooperation project to assist member States to implement the Recommendation.

In conclusion, we believe that the cooperative methodology provides a proven response to many of the world's current economic and social problems and challenges, not least in the fight against poverty and social exclusion. The ILO believes that Recommendation no. 193 will serve as a useful tool in the struggle to promote Decent Work through cooperatives.

“Cooperatives empower people by enabling even the poorest segments of the population to participate in economic progress; they create job opportunities for those who have skills but little or no capital; and they provide protection by organizing mutual help in communities” (Juan Somavía, ILO Director-General, June 2002). ●

## ● **Rec. no. 193: activities carried out since its adoption in June 2002** **Extract\***

### **5 Selected Outcomes**

**Bosnia Herzegovina** has adopted new cooperatives laws that are based on Rec. 193.

**Colombia:** The Colombian cooperative movement uses Article 8 (1) (b) of ILO Rec. no. 193 to combat pseudo-cooperatives that are set up by companies to establish disguised employment relationships with the former employees. Colombia has incorporated 193 into its national development plan, and has enacted a new cooperative law (Ley 812 of 2003) based on Rec. 193.

**The European Commission** has included references to Rec. 193 in a “Communication” to the European Parliament and has included the ILO in its Expert Committee on Cooperative Law.

**Guinea** has adopted new cooperative laws based on Rec. 193.

**India** has adopted a new national cooperative development policy and a new multistate cooperative law that were strongly influenced by the “conclusions” of the first discussion of Rec. 193. In addition, the Indian Government has introduced a draft amendment to the Constitution which would guarantee the autonomy of cooperatives.

**Kenya:** The Kenya cooperatives are using Rec. 193 to protect their autonomy that would be threatened by new cooperative laws.

**Romania:** On 29 August 2002, COOP received an urgent message from two Romanian cooperative federations, asking the ILO for help in preventing the Romanian government from adopting an “emergency ordinance” that would have considerably reduced the autonomy of the Romanian cooperative movement. This request was addressed to the ILO because the cooperative federations considered the ordinance a violation of article 2 of Rec. 193. COOP then hired a lawyer who prepared a detailed commentary on the emergency ordinance, with Rec. 193 serving as the bottom line. As a result, the adoption of the ordinance has been suspended.

**South Africa:** The South African government has adopted a cooperative development policy and strategy based upon Rec. 193, and has drafted a new cooperative law that was promulgated in June 2005. We are assisting the government in producing a lay-person’s guide on the new law. South Africa has also designed a cooperative development strategy to implement the new policy and legislation.

**Ukraine** has approved a new cooperative law on 10 July 2003, which is based upon Rec. 193.

**United Kingdom:** The Department for International *Development* (DFID) has signed a strategic grant agreement with the British cooperative movement to enable the latter to promote Recommendation 193 in the UK. The UK Cooperative College has already published a guide on the instrument. A recent issue of the DFID magazine, *Developments* (April 2005, printed in 500,000 copies), states that “the most important recent development internationally for co-ops, however, has been the adoption in 2002 by the International Labour Organization of Recommendation 193.”

\* The document, “Rec. no. 193: activities carried out since its adoption in June 2002,” presents the activities carried out by the ILO since the adoption of Recommendation 193 and is made up of five parts: 1. promoting the recommendation, 2. global meetings and seminars, 3. regional and national meetings and seminars, 4. advisory services, 5. selected outcomes. This last section covers developments in more than fifty countries. We have chosen a few examples to illustrate the impact Recommendation 193 has had in various countries around the world. The complete document can be consulted through the ILO website: [http://www.ilo.org/images/empent/static/coop/pdf/Rec193\\_activities\\_06.pdf](http://www.ilo.org/images/empent/static/coop/pdf/Rec193_activities_06.pdf)